POWER CORPORATION SUPERANNUATION PLAN

ANNUAL REPORT 2007

YEAR AT A GLANCE

- A pension benefit increase of 1.4% is declared for 2007, representing 70% of the increase in the consumer price index (CPI) for Saskatchewan.
- The Plan's overall rate of return exceeds that of its benchmark for the 9th consecutive year.
- Annual benefit statements reflecting basic information are distributed to all active and deferred members.
- An asset/liability study is completed. Review and implementation of study findings to take place in 2008.

FACTS

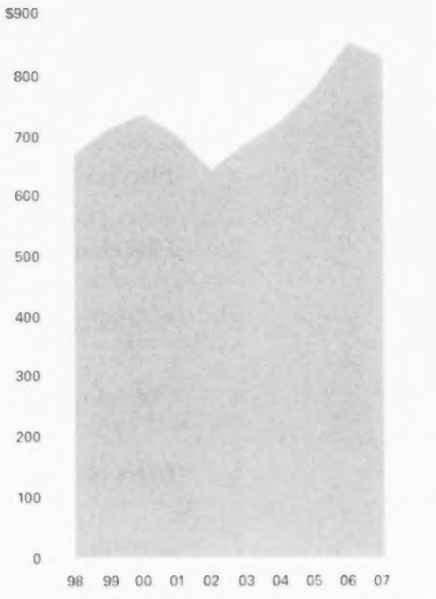
- According to the 2007 Canadian Pension Fund Investment Overview, the Plan is ranked 136th in Canada in net assets and is the 7th largest pension plan in Saskatchewan.
- Saskatchewan has 110,660 members in defined benefit plans, compared to 90,202 in defined contribution plans (as per the 2006 Statistics Canada Census).
- Canada has 15,130 registered pension plans, of which 7,611 are defined benefit and 7,196 are defined contribution (as per the 2006 Statistics Canada Census).

MISSION STATEMENT

To provide continuous pension benefits for Plan members through prudent stewardship of assets, liabilities and effective Plan administration in accordance with current legislation.

FINANCIAL HIGHLIGHTS

(in millions)	2007	2006
Investments, at market		
Short-term securities	**$ 6**	$ 5
Bonds	**281**	273
Equities	**537**	571
Receivables	**3**	8
Cash	**–**	1
Total assets	**827**	858
Liabilities	**1**	6
Net assets available for benefits	**826**	852
Accrued pension benefits, end of year	**830**	839
Surplus/(deficit)	**$ (4)**	$ 13



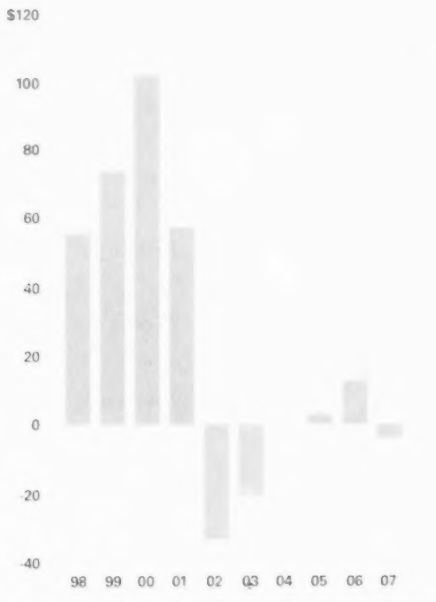
NET ASSETS AVAILABLE FOR BENEFITS AT DECEMBER 31
(in millions)

CHANGE IN NET ASSETS AVAILABLE FOR BENEFITS

(in millions)	2007	2006
Increases:		
Investment income	**$ 38**	$ 28
Increase in market value of investments	**–**	93
Contributions	**2**	2
	40	123
Decreases:		
Decrease in market value of investments	**21**	–
Superannuation allowances	**43**	42
Refunds and transfers	**–**	1
Administration expenses	**2**	2
	66	45
Change in net assets	**$ (26)**	$ 78

INVESTMENT PERFORMANCE

Rates of return (%)	2007	2006
Plan actual rate of return	2.0	16.1
Plan benchmark	0.4	13.8
Four-year rolling average return	10.3	13.3
Four-year rolling benchmark	8.4	11.6



SURPLUS/(DEFICIT) AT DECEMBER 31
(in millions)

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This report summarizes certain provisions of the Power Corporation Superannuation Plan. Please note that this report does not create any rights to benefits not provided for in the actual terms of the Plan. In the event of any conflicts or omissions the legal requirements of the Power Corporation Superannuation Plan will govern in all cases.

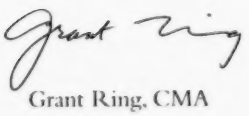
CHAIR'S *MESSAGE*

It is my pleasure to present to you the Power Corporation Superannuation Plan's 2007 Annual Report. It is designed to provide Plan members with an update of the financial status of the Plan and a summary of activities that took place throughout the year.

For financial markets, 2007 was a challenging time. It was marked by a slowing economy in the United States and a Canadian dollar rising to 30-year highs. This environment had a negative impact on the Plan's overall performance. For the year, the Plan earned a rate of return of 2.0%. While this beat the Plan's benchmark return by 1.6%, it is well below the Plan's four-year average return of 10.3%. As a result, the Plan ended the year with net assets available for benefits of $826 million, a decrease of $26 million over the previous year.

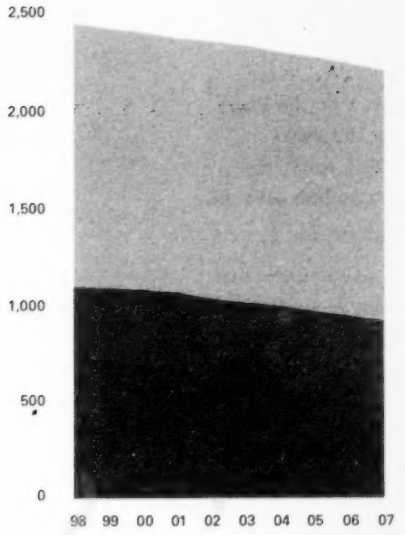
During 2007, an asset/liability study was completed for the Plan. This type of review is used to ensure that the assets held in the Plan are well suited to its demographics and projected future cash flow requirements. While the current asset mix fell into an acceptable range, the Board will work to modify the asset mix in the upcoming year based on the results of the study. As the Plan continues to mature, special attention will be paid to selecting asset classes that generate acceptable rates of return while minimizing volatility and risk.

I would like to take this opportunity to thank the Plan's Board of Directors and the staff of SaskPower for their efforts over the past year. Significant accomplishments were made in the areas of Plan governance and administration, all to the benefit of Plan members.



Grant Ring, CMA
Chair
Power Corporation Superannuation Board

PLAN PROFILE



PLAN MEMBERSHIP
(number of members)

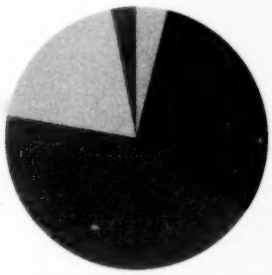
SUPERANNUATES AND DEFERRED
SURVIVORS
ACTIVE

The Power Corporation Superannuation Plan (the Plan) originated with the passing of *The Power Commission Superannuation Act* in 1944. This defined benefit pension plan is governed by *The Power Corporation Superannuation Act* (the Act) of 1950 and *The Superannuation (Supplementary Provisions) Act*. It is maintained by the Saskatchewan Power Corporation (SaskPower) for employees who were hired prior to October 1, 1977, and who did not elect to transfer to the defined contribution plan before October 1, 1978.

Through the Act, SaskPower guarantees each member's basic pension, regardless of the financial status of the Plan. The value of the basic pension depends on a number of factors, including salary and years of service at retirement. Optional pension forms, such as joint life and 75% or 100% and enhanced bridging, require the consideration of additional factors, such as a member's age and the spouse's age.

The Plan is financially sound and holds a well-diversified portfolio of debt and equity investments. Net assets totalled $826 million at year-end, a decrease of $26 million over the previous year. Of this total, approximately $504 million or 61% of assets were invested in Canadian bonds and equities, while the remaining 39% was invested in 32 countries throughout the world. This diversification helps to maximize the return on assets and minimize the impact of volatility in individual markets.

PLAN DEMOGRAPHICS



PENSIONERS BY AGE

70-79 43%
80-89 19%
60-69 30%
90 AND OVER 3%
59 AND UNDER 4%

The Plan has been substantially closed to new members since October 1, 1977. As a result, the number of active members has decreased steadily, primarily through retirement. The average service time for active members is 33 years.

DECLINING RATIO OF WORKING TO RETIRED MEMBERS
As at September 30, 2007

	1991	1996	2005	2007
Ratio of active members/retirees	1:1	1:2	1:3	1:4

Approximately 78% of total members are receiving benefits. At December 31, 2007, there were 1,714 receiving a pension, 21 eligible for a deferred pension and 461 active members.

Included in the Plan's active membership are SaskPower employees, as well as employees of SaskEnergy or other corporations that have been designated institutions by the Lieutenant Governor in Council. Effective June 28, 2001, these institutions are required to make contributions at a rate recommended by the Plan actuary.

Both members and employers (SaskPower and designated institutions) have contributed to funding. In 2007, the Plan received contributions of approximately $2 million, the majority of which were made by employees. Since inception, the cumulative total of employer contributions is 53%, or $128 million; the cumulative total of employee contributions is 47%, or $114 million.

During the year, the Plan paid $43 million in benefits to approximately 1,714

superannuates. The following is a breakdown of various levels of pension income and the number of Plan members at each level.

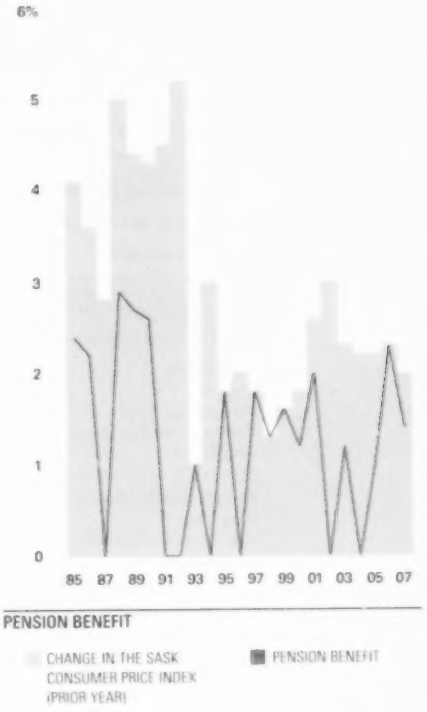
PLAN ANNUAL PENSION AMOUNTS

As at December 31, 2007

Annual pension	Number of plan members
0 - $ 9,999	209
$ 10,000 - $ 19,999	426
$ 20,000 - $ 29,999	584
$ 30,000 - $ 39,999	267
$ 40,000 - $ 49,999	125
$ 50,000 - $ 59,999	49
$ 60,000 - $ 69,999	29
$ 70,000 +	25
	1,714
Average annual pension	**$ 25,591**
Median annual pension	**$ 24,293**

At minimum, an actuarial valuation for funding purposes is prepared every three years. It ensures that Plan assets and contribution levels are adequate to provide long-term benefits. As the corporation responsible for providing retirement benefits, SaskPower uses this valuation to determine its funding requirements.

As the Plan continues to mature, the ratio of active members to pensioners will continue to decline. This maturation is also evident in the increasing level of pension payments compared to contributions, making the Plan more reliant on investment returns to fund pension payments.



SIGNIFICANT EVENTS

Annual benefits statements: During 2007, benefit statements were distributed for the year ending December 31, 2006, to all active and deferred members. These statements reflect basic pension information and are expected to be distributed annually.

Indexation: In the fall of 2006, the provincial government introduced legislation to set indexing of the Power Corporation Superannuation Plan and other related provincial plans to 70% of the increase in the Saskatchewan consumer price index (CPI). Based on this methodology, an increase of 1.4% was granted in 2007.

Prior to this, the government granted increases on an ad hoc basis up to the average of the CPI for Regina and Saskatoon. Plan members have received increases in 16 of the past 23 years, ranging from 1.0% to 2.9%.

Consistent investment performance: 2007 marked the ninth consecutive year in which the return on the Plan's assets has exceeded its benchmark. Over the last 10 years, the Plan achieved a rate of return of 8.9% versus the benchmark return of 7.4%.

Asset/liability study: In 2007, an asset/liability study was completed on the Plan. The purpose of this type of study is to determine the asset mix that is deemed to be the most suitable to the specific liabilities and benefit timelines of the Plan. While the study did show the Plan's current asset mix to be within an acceptable range, the Board will look to introduce asset classes that will help to reduce volatility of the Plan's funded status while generating an acceptable level of return.

PLAN GOVERNANCE

Authority: The Power Corporation Superannuation Plan Board is responsible for the overall governance and administration of the Plan. Board members are appointed by the Lieutenant Governor in Council pursuant to *The Power Corporation Superannuation Act*. The priority of the Board is to ensure that all members receive the secure benefits to which they are entitled. To deliver this pension promise, the Board serves as a vital check to verify that the Plan's assets are managed prudently. Board Members are required to ensure compliance with the provisions of *The Power Corporation Superannuation Act*, *The Superannuation (Supplementary Provisions) Act* and *The Superannuation Acts Uniform Regulations*.

Role of the Board: The Board selects the Plan's actuary, custodian and investment managers, and sets the investment policy. The Board is also responsible for stewardship; overseeing the identification and management of principal risks; reviewing performance of investment managers; and adopting procedures that provide effective communication and maintain the integrity of internal controls. In addition, the Board is responsible for the sound investment and professional administration of the Plan on behalf of members, superannuates and sponsors. It reviews investment policies and performance, evaluates pension liabilities and ensures that financial statements are prepared in accordance with Canadian generally accepted accounting principles.

The Board bases its decisions on comprehensive research and input from expert advisors. It also monitors the Plan's overall administration to satisfy itself that members, superannuates and survivors receive the benefits to which they are entitled by governing legislation.

BOARD COMPOSITION
As at December 31, 2007

Bill Jones
Chair
Vice-president and Chief Financial Officer
Corporate and Financial Services
SaskPower

Myron Gulka-Tiechko
Vice-chair
Vice-president and General Counsel
SaskPower

Robert Haynes
SaskEnergy Representative
Vice-president
Human Resources
SaskEnergy

Ken Pielak
Employee Representative
Communications, Energy and Paperworkers (CEP)
SaskEnergy

Grant Ring
Treasurer
SaskPower

Brian Ross
Employee Representative
International Brotherhood of Electrical Workers (IBEW)
SaskPower

Jack Shepherd
Superannuate Representative
Power Pioneers Association Inc.

Served in an observer capacity in 2007:

Lyn Kristoff
Board of Directors
SaskPower

Mel Watson
Board of Directors
SaskPower

APPOINTED IN 2008

Grant Ring
Chair
Acting Vice-president and Chief Financial Officer
Corporate and Financial Services
SaskPower

Rachelle Verret Morphy
Acting Vice-president and General Counsel
SaskPower

Dairen Beblow
Acting Treasurer
SaskPower

Board Member training: Board Members bring forward the benefits associated with diverse experiences and a variety of professional attributes. However, it is also important they remain current with respect to the many issues surrounding prudent management of a pension plan. To this end, an annual training and development budget of $42,000 was established for the Board. These fees are paid for by the Plan. The following is a summary of Board Member training costs in 2007.

BOARD MEMBER	CONFERENCE	COST
Myron Gulka-Tiechko	• Association of Canadian Pension Management (Charlottetown, P.E.I.)	$ 3,401
Ken Pielak	• Advanced Trustee Management Standards Part II (Niagara Falls, Ont.) • Canadian Investment Institute (San Antonio, Texas)	6,225
Robert Haynes	• Advanced Trustee Management Standards Part II (Niagara Falls, Ont.)	2,682
Brian Ross	• Responsible Trustee – Intermediate (Vancouver, B.C.)	2,287
TOTAL		**$ 14,595**

These costs do not include any Board Member training paid for by SaskPower or any other institution. Board Members do not receive compensation for their services. However, they are reimbursed for travel-related expenses by their employer.

Board and management: Although the Board is responsible for overseeing the administration of the Plan, SaskPower is responsible for its day-to-day operations. The Corporation's management is expected to act within Board-approved policies and directives.

On a monthly basis, SaskPower staff are involved in monitoring the activities of the investment managers and reviewing the asset mix. They also serve as the primary contacts for member inquiries. SaskPower management reports to the Board on a regular basis, providing details of financial transactions, investments, retirement benefit activity and overall performance.

INDEPENDENT EXPERTS

The Plan's Statement of Investment Policies and Goals provides guidelines for investment and monitoring assets. These principles were established to earn the best possible return on investments based on a level of risk acceptable to the Board. The Board reviews the policies annually and changes are made as necessary. The policies outline a governance structure that allows the Board to retain the services of independent experts to assist it in fulfilling its responsibilities. The Board contracts independent actuarial, investment and accounting professionals, as well as a custodian.

The Board is required to meet at least annually with the investment advisor and each of the investment managers to discuss performance, strategies and expected future performance. As well, the Board reviews assumptions and valuation results with the actuary. It also meets with the Plan's external auditor before and after the annual audit of the financial statements. In 2007, the Board met quarterly to review financial results, performance and retirement benefit activity.

Investment managers: Investment managers at December 31, 2007, were:

ASSET CLASS	INVESTMENT MANAGER
Canadian equity	Jarislowsky Fraser Limited
Canadian equity and bond	Greystone Managed Investments Inc.
Global equity	Templeton Management Limited
International equity	Goldman Sachs and Hansberger Global Investors (affiliates of Greystone Managed Investments Inc.)
U.S. S&P 500 equity index	Barclays Global Investors

Investment managers are chosen based on their expertise and investment style within a particular asset class. The Board has a formal agreement with each investment manager that contains a mandate formulated to optimize the risk/return profile for each asset class. The investment managers report results to the Board on a quarterly basis.

Investment consultant: Hewitt Associates serves as investment consultant to the fund with the role of providing an analytical review of the total fund, asset classes and investment managers' performance. This assessment is completed relative to peer and plan benchmarks, as well as each manager's style and risk characteristics. The investment advisor subsequently comments on the acceptability of performance, while advising the Board on overall investment policy and management that would best achieve objectives.

Custodian: RBC Dexia Investor Services serves as custodian. In this role, RBC holds custody of assets and is responsible for executing investment transactions while collecting income. The custodian also provides record-keeping services and monitors investments to ensure they are in compliance with both individual investment manager mandates and the overall statement of investment policies and goals.

Actuary: Aon Consulting Inc. prepares annual actuarial valuations for accounting purposes, and every three years or as requested, valuations for funding purposes. The actuary also provides the Board with information regarding administration, and makes recommendations related to policies on benefits and funding. The actuarial opinion and cost certificate is found on page 11.

Auditors: External auditors are contracted to perform an annual audit of the Plan's fiscal year-end financial statements prepared by SaskPower. The audit focuses on the existence, completeness and valuation of assets; the measurement of income and expenses; and the fairness of presentation in accordance with Canadian generally accepted accounting principles. In compliance with professional standards, the auditor communicates with the Plan's actuary and reviews the actuarial report for consistency with other information reviewed in the course of the audit.

Deloitte & Touche LLP conducted an independent examination of the Plan's year-end financial statements. The firm's professional opinion on the financial statements is found in its auditors' report, attached to the financial statements. On an annual basis, the Provincial Auditor also reviews the financial statements, as well as overall governance, internal controls and legislative compliance.

Pension communications: A pension Communication Committee, comprising superannuate, union and management representation, helps improve members' understanding of Plan provisions and disseminates significant legislative changes in a timely manner. During the past seven years, it has distributed the *Pension Update* newsletter to all members on a semi-annual basis.

The Power Corporation Superannuation Plan Annual Report is also provided to all members. Financial statements, investment performance, actuarial valuation assessment and membership profile are among the items highlighted.

INVESTMENT HIGHLIGHTS

Investment strategy: The investment objective of the Plan is to meet current and future pension payment obligations. As a result, assets are invested in a diversified portfolio that will generate adequate rates of return. The funds are placed with a number of investment managers for investment in a wide range of securities and asset classes. Managers are assigned specific mandates and their performance is monitored against pre-determined benchmarks. By a combination of different types of investments in a portfolio, the negative effect of fluctuations in the markets is minimized and the risk of having a large loss is reduced.

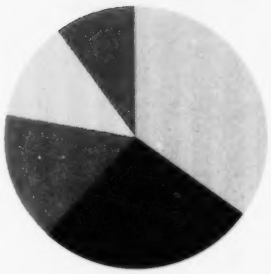
Investment policies: The Plan has a Statement of Investment Policies and Goals approved by members of the Power Corporation Superannuation Plan Board. The policy communicates a philosophy of diversification and protection of capital while providing guidance to investment managers. To ensure diversification and risk control, the policy sets out guidelines for asset mix, individual equity/bond holdings, industrial sector holdings, debt ratings and bond duration.

The purpose of the policies is to outline appropriate investment principles and monitoring procedures. It conforms to applicable legislation and specific characteristics of the Plan. At present, the target asset mix is 65% equity and 35% fixed income. However, the actual mix at any one time may differ from this target due to fluctuations in the market.

The Statement of Investment Policies and Goals has the following objectives:

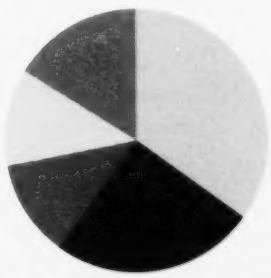
- Ensure the Plan has sufficient assets to meet future pension obligations.
- Optimize the risk/return relationship of the Plan.
- Generate sufficient cash flow to meet ongoing pension payments.

Monitoring performance is a key activity in determining whether the investment objectives are being met. The policies outline a benchmark portfolio comprising market index assets weighted at the same asset allocation that is normal for the Plan. While broadly diversified, the benchmark portfolio emphasizes equity over fixed income investments on the basis of substantial evidence that, over time, equities provide superior returns.



ASSET ALLOCATION 2007
(at market value)

BONDS 35%
CANADIAN EQUITIES 27%
GLOBAL EQUITIES 16%
INTERNATIONAL EQUITIES 12%
U.S. EQUITIES 10%



BENCHMARK PORTFOLIO COMPOSITION

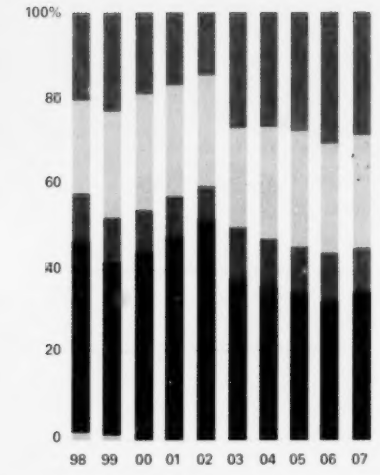
BONDS 35%
DEX
Universe Bond Index

CANADIAN EQUITIES 25%
TSX Composite Index

INTERNATIONAL
EQUITIES 16%
Morgan Stanley
Capital EAFE Index

U.S. EQUITIES 12%
Standard and Poor's
500 Total Return Index

GLOBAL EQUITIES 12%
Morgan Stanley
World Index



ASSET ALLOCATION 1998-2007

REAL ESTATE
U.S. EQUITIES
INTERNATIONAL EQUITIES
CANADIAN EQUITIES
BONDS

The Plan's primary investment objective is to achieve a return higher than the asset mix benchmark. A secondary objective is to achieve a long-term rate of return of the average increase in the CPI for Canada plus 4% per annum. These two objectives should be viewed as an average annual compound rate to be sought over one or more complete capital market cycles or over a four to 10 year period.

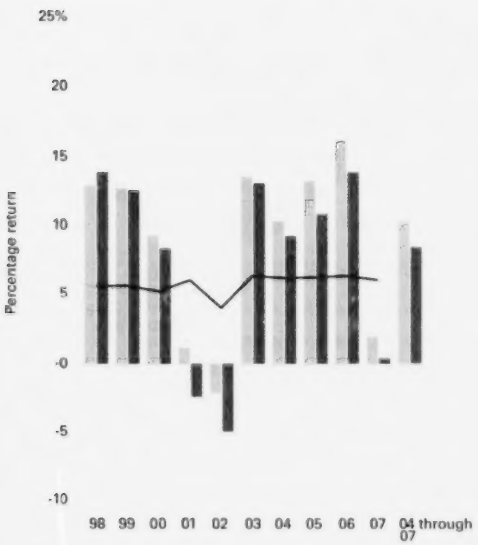
In 2007, the Plan's investment consultant finalized an asset/liability study. The purpose of this type of study is to examine the components of the Plan's liabilities – such as demographics, projected annual retirement allowances and remaining service life – and then compare the liabilities and expected cash flow requirements to a number of different asset mixes.

In 2008, the Board will work to modify the Plan's asset mix with the intent of reducing the volatility to the Plan's funded status while continuing to achieve a rate of return consistent with the Plan's overall investment objectives.

Investment performance: The Plan's performance is measured by comparing its return to the benchmark portfolio. During 2007, the Plan achieved a rate of return of 2.0%, beating the benchmark return of 0.4%.

A common standard within the pension fund industry is to calculate performance on a four-year cycle and, where possible, on a 10-year cycle. These longer-term measures have greater relevance and lower volatility than a one-year measurement. Over the period 2004-2007, the Plan averaged an annual return of 10.3%, compared to the benchmark average of 8.4%. Over the past 10 years, the Plan has averaged an annual return of 8.9% compared to the benchmark of 7.4%.

While returns fluctuate from year to year, the underlying volatility of individual asset class returns is even more pronounced. Because the investment policies set out a diversification strategy designed to mitigate the effects of volatility, the Plan's returns have historically been more stable than the returns of any single asset class. Additionally, Plan returns have been achieved at risk levels that are lower than the risk on the average pension fund portfolio.



PLAN PERFORMANCE 1998-2007

TOTAL PLAN
BENCHMARK
CPI +4%

FINANCIAL HIGHLIGHTS

Overall, 2007 was a challenging year for financial markets throughout the world. Credit concerns in the U.S. over sub-prime mortgage defaults were felt globally, as consumer spending was expected to decline. Fortunately, the Plan did not hold any asset-backed commercial paper as at December 31, 2007. While concerns of a slowdown in the U.S. economy persisted throughout the year, a continuation of high oil and other commodity prices led to record highs for the Canadian dollar. As approximately 39% of the Plan's assets are invested outside Canada, the higher Canadian dollar had a negative impact on the returns of the Plan's foreign investments.

Overall, the Plan ended the year with net assets available for benefits of $826 million, a decrease of $26 million over the previous year. However, over the past four years, the Plan has seen net assets available for benefits increase by $107 million despite paying out approximately $166 million in benefits. The changes in net assets from 2006 to 2007 are as follows:

CHANGE IN NET ASSETS (in millions)	2007	2006
Income:		
Investment income	$ 38	$ 28
Increase in market value of investments	–	93
Contributions	2	2
	40	123
Expenditures:		
Decrease in market value of investments	21	–
Superannuation allowances	43	42
Refunds and transfers	–	1
Administration expenses	2	2
	66	45
Change in net assets	$ (26)	$ 78

In 2007, the Plan paid approximately $43 million in benefits and $2 million in administrative expenses. The administrative expenses represent fees paid to the investment managers and custodian for managing and recording investments. These fees are based on the market value of assets under management. The cost of these services is 0.27% of the market value of the total assets in 2007, a 0.03% increase from the 2006 rate.

A recent survey prepared by CEM Benchmarking Inc. and received in September 2007, examined the fees paid by pension funds for internal and external investment management services. Based on the results of the survey, the Power Corporation Superannuation Plan fell into the quadrant of "High Value Added & Low Cost." To put this in other terms, the average administrative costs for plans with similar asset values were approximately $0.3 million higher than the administrative expenses paid by this Plan. Being classified as high-cost or low-cost is not necessarily good or bad. The more important question is whether or not a plan is receiving sufficient value for the fees it pays.

ACTUARIAL VALUATION

The obligation of any defined benefit pension plan is to fulfill its pension promise — a commitment to provide lifetime periodic payments to eligible retired members. Meeting this pledge requires a sound financial base. To assess the financial status of the Plan, an actuarial valuation for accounting purposes is performed annually as at December 31. In 2007, the Plan had an actuarial deficit of $4 million for financial statement reporting purposes, compared to a $13 million surplus at the previous year end. The accrued pension benefits decreased by $9 million due largely to an increase in the discount rate. Net assets available for benefits decreased by $26 million, primarily due to a decrease in the market value of the investments. It should be noted that as outlined in the Act, the pensions of all members are guaranteed by SaskPower regardless of the financial performance of assets and funded status of the Plan. Any deficiencies to superannuation allowances will be met by payments from the revenues of SaskPower.

ACTUARIAL (DEFICIT)/SURPLUS (in millions)	2007	2006
Net assets available for benefits	$ 826	$ 852
Accrued pension benefits	830	839
(Deficit)/surplus	$ (4)	$ 13

Actuarial methodology and assumptions: In completing an actuarial valuation, certain future events must be considered. A number of assumptions are made and future events are deemed to occur according to these assumptions. This methodology is called a *best estimate actuarial valuation* and it attempts to arrive at the most likely outcome. The economic assumptions are based on published five-year forecasts, investment policy and specific characteristics of the Plan membership, with extrapolation to the end of the benefit period. To value the liabilities, the actuary examines the Plan's demographics — the age, length of service and salary ranges of the membership. Information is processed on active members, deferred members and pensioners, and surviving spouses who receive benefits. In addition, mortality, disability and termination of employment data are reviewed and factored into the valuation assumptions.

BEST ESTIMATE VALUATION ECONOMIC ASSUMPTIONS	2007	2006
Discount rate	5.75%	5.25%
Expected rate of return on Plan assets	6.75%	6.50%
Long-term rate of compensation increases	3.50%	3.50%
Long-term inflation rate	2.50%	2.50%
Benefit increases (% of CPI)	70.00%	70.00%

The following illustrates the sensitivity of some of the major assumptions used in preparing the actuarial valuation:

Retirement age: By assuming a retirement age equal to the earliest age that a member can retire with a reduced pension, the surplus would increase by $4 million. Although the member would be receiving a pension at an earlier age and not contributing as much into the Plan, the final average salary used in calculating retirement benefits is also lower and results in an increase to the surplus.

Discount rate: An increase in the discount rate of 0.5% (from 5.75% to 6.25%) would result in an increase to the surplus of $42 million, as the present value of the accrued pension benefits will be reduced.

Salary: A decrease to the real salary increase assumption of 0.5% (from 3.50% to 3.00%) would result in an increase to the surplus of $1 million. The final average salary at retirement and the level of benefits paid at retirement also decrease.

Inflation: An inflation rate assumption that is 0.5% lower than the assumed rate (from 2.50% to 2.00%) would result in a decrease to the surplus of $15 million. A lower inflation rate reduces both the discount rate and future benefit increases. The impact of the lower discount rate, which increases the accrued pension benefits, more than offsets the reductions that result from lower future benefit increases.

CPP at 67: By increasing the retirement age under the CPP to age 67 from age 65, the offset at age 65 under the Plan is effectively delayed for two years to age 67. This results in two years worth of increased pension payments payable from the Plan, thus increasing the past and future service liabilities under the Plan, and decreasing the surplus by $5 million.

ACTUARIAL OPINION AND COST CERTIFICATE

Aon Consulting Inc. was retained by the Power Corporation Superannuation Board (the Board) to perform an actuarial valuation of the assets and the liabilities of the Power Corporation Superannuation Plan (the Plan) as at September 30, 2007, for accounting information purposes based on Section 4100 of the Canadian Institute of Chartered Accountants (CICA) Handbook. The results of this valuation were subsequently extrapolated to December 31, 2007. As part of the valuation and subsequent extrapolation, we examined the Plan's recent experience with respect to the non-economic assumptions and presented our findings to management. In addition, we provided management with a statistical survey and other information used to develop its long-term economic assumptions.

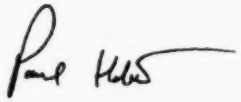
The valuation and subsequent extrapolation of the Plan's actuarial liabilities were based on:

- membership data provided by the Saskatchewan Power Corporation as at September 30, 2007;
- methods prescribed by CICA for pension plan financial statements; and
- assumptions about future events (for example, future rates of inflation) which represent management's best estimate of these events.

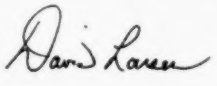
The objective of the financial statements is to fairly represent the financial position of the Plan on December 31, 2007, as a going concern. The actuarial assumptions used to estimate liabilities of the Plan's financial statements represent management's best estimate of future events. While we do not render a specific opinion on these assumptions, they are not unreasonable when considering the circumstances of the Plan and the purpose of the valuation and subsequent extrapolations. The Plan's future experience will inevitably differ, perhaps significantly, from the actuarial assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations. It is important to note that the valuation and subsequent extrapolation have not been performed for the purposes of assessing the adequacy of the Plan's current funding recommendation nor is it intended to update or replace the Plan's current funding recommendation.

We have tested the data for reasonableness and consistency, and we believe it to be sufficient and reliable for the purposes of the valuation and we also believe that the methods employed in the valuation extrapolation are appropriate for the purposes of the subsequent valuation. Our opinions have been given, and our valuation extrapolations have been performed, in accordance with accepted actuarial practice.

The results of our accounting actuarial valuation and subsequent extrapolation disclosed total actuarial liabilities of $830,041,000 in respect of benefits accrued for service prior to December 31, 2007. The market value of assets at that date was $825,906,000 indicating an accounting actuarial deficit of $4,135,000. The total cost of benefits to be accrued in the 12 months following December 31, 2007, is $8,521,000 as at December 31, 2007.



Paul Hebert
Fellow, Society of Actuaries
Fellow, Canadian Institute of Actuaries
January 16, 2008



David R. Larsen
Fellow, Society of Actuaries
Fellow, Canadian Institute of Actuaries

REPORT OF *MANAGEMENT*

The financial statements of the **Power Corporation Superannuation Plan** are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles, applied on a basis consistent with that of the preceding year. The preparation of financial statements necessarily involves the use of estimates based on management's best judgement, particularly when transactions affecting the current period cannot be finalized with certainty until future periods. In management's opinion, the financial statements have been properly prepared within the framework of selected accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, information available up to February 15, 2008. The financial information presented elsewhere in the annual report is consistent with that of the financial statements.

Management maintains appropriate systems of internal control which provide assurance that the Plan's assets are safeguarded and appropriately accounted for, that financial records are relevant, reliable and accurate and that transactions are executed in accordance with management's authorization. These systems include policies and procedures, as well as the appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these controls and reports its findings to the SaskPower Board of Directors.

The Power Corporation Superannuation Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. At regular meetings the Board reviews audit, internal control and financial matters with management and the external auditors to satisfy itself that each is properly discharging its responsibilities. The annual report, financial statements and the external auditors' report have been reviewed and approved by the Board. The external auditors have full and open access to the Board, with and without the presence of management.

The financial statements have been examined by Deloitte & Touche LLP, Chartered Accountants, as appointed by the Lieutenant Governor in Council and approved by the Crown Investments Corporation of Saskatchewan. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The auditors' report, which follows, outlines the scope of their examination and sets forth their opinion.

On behalf of management,

Scott Chomos, CMA
Supervisor, Treasury Accounting
SaskPower
February 15, 2008

Troy King, CMA
Controller
SaskPower

AUDITORS' *REPORT*

To the Members of the Legislative Assembly of Saskatchewan

We have audited the statement of net assets available for benefits and accrued pension benefits and (deficit)/surplus of the **Power Corporation Superannuation Plan** as at December 31, 2007, and the statements of changes in net assets available for benefits and changes in accrued pension benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits and surplus of the Plan as at December 31, 2007, and the changes in the net assets available for benefits and the changes in accrued pension benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Regina, Saskatchewan
February 15, 2008

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED PENSION BENEFITS AND (DEFICIT)/SURPLUS

(in thousands)

As at December 31	2007	2006
Assets		
Investments, at market *(Note 3)*		
Short-term securities	$ 5,910	$ 5,045
Bonds	281,757	272,835
Equities	537,173	570,608
	824,840	848,488
Receivables		
Employees' contributions	43	44
Sponsors' contributions	55	49
Accrued investment income	2,191	2,533
Other receivables	243	5,284
	2,532	7,910
Cash	–	770
Total assets	827,372	857,168
Liabilities		
Accounts payable and other liabilities	1,466	5,581
Net assets available for benefits	$ 825,906	$ 851,587
Accrued pension benefits and (deficit)/surplus		
Accrued pension benefits	$ 830,041	$ 838,763
(Deficit)/surplus	(4,135)	12,824
Accrued pension benefits and (deficit)/surplus	$ 825,906	$ 851,587

See accompanying notes

On behalf of the Board:

Grant Ring, CMA
Chair

Robert Haynes, LLB
Director

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

(in thousands)

For the year ended December 31	2007	2006
Increase in net assets		
Investment income		
Interest		
Short-term securities	$ 224	$ 254
Bonds *(Note 6)*	12,484	12,095
	12,708	12,349
Dividends	25,357	15,308
	38,065	27,657
Increase in market values of investments	–	92,903
Contributions *(Note 1)*		
Employees'	1,663	1,711
Sponsors'	465	453
	2,128	2,164
Total increase in net assets	40,193	122,724
Decrease in net assets		
Decrease in market value of investments	20,984	–
Superannuation allowances	42,767	41,708
Transfers and refunds on terminations	–	552
Administrative expenses *(Note 7)*	2,123	1,969
Total decrease in net assets	65,874	44,229
Changes in net assets	(25,681)	78,495
Net assets available for benefits, beginning of year	851,587	773,092
Net assets available for benefits, end of year	$ 825,906	$ 851,587

See accompanying notes

STATEMENT OF CHANGES IN ACCRUED PENSION BENEFITS

(in thousands)

For the year ended December 31	2007	2006
Increase in accrued pension benefits		
Interest on accrued benefits	$ 42,874	$ 40,366
Change in plan provisions	–	40,748
Changes in actuarial assumptions	–	7,551
Benefits accrued	8,770	8,010
Experience losses	20,429	14,435
	72,073	111,110
Decrease in accrued pension benefits		
Changes in actuarial assumptions	38,028	–
Benefits paid	42,767	42,260
	80,795	42,260
Accrued pension benefits, beginning of year	838,763	769,913
Accrued pension benefits, end of year	$ 830,041	$ 838,763

See accompanying notes

1. DESCRIPTION OF THE PLAN

The following description of the Power Corporation Superannuation Plan (the Plan) is a summary only. For more complete information, reference should be made to *The Power Corporation Superannuation Act, The Superannuation (Supplementary Provisions) Act* and *The Superannuation Acts Uniform Regulations.*

a) General

The Plan is a defined benefit pension plan maintained by Saskatchewan Power Corporation (the Corporation) for those employees who were hired prior to October 1, 1977, and who did not elect to transfer to the Public Employees Pension Plan, a defined contribution plan, before October 1, 1978. The Plan is administered by a seven-person Board appointed by the Lieutenant Governor in Council.

b) Members' contributions

Plan members contribute a percentage of their salary at a rate based on the age when they last became a contributor to the Plan and any agreements for an employee group, less a reduction for Canada Pension Plan integration.

An employee makes no further contributions after 35 years of pensionable service.

c) Sponsors' contributions

In accordance with *The Power Corporation Superannuation Act*, the Corporation contributes such amounts as are necessary to fund the payments provided by the Plan. Some Plan members are employees of other corporations that have been designated by the Lieutenant Governor in Council as institutions. For these corporations, an actuary determines the required employer contribution for their active Plan members.

d) Retirement allowances

The Plan provides an unreduced retirement allowance at age 65 with at least five years pensionable service, at age 60 with at least 20 years pensionable service, or upon completion of 35 years pensionable service.

Retirement allowances are based on 2% of the best five-year average annual salary multiplied by the years of pensionable service, up to a maximum of 35 years, subject to Canada Revenue Agency maximums. At age 65, the retirement allowance is reduced due to integration with the Canada Pension Plan for pensionable service from January 1, 1966.

Employees may retire with an early-reduced retirement allowance at age 55 with at least 30 years pensionable service, or at age 60 with at least 15 years pensionable service. Both age and service criteria must be met to be eligible for an early-reduced retirement.

Annual pension benefits are increased at a rate equal to 70% of the increase in the consumer price index (CPI) for Saskatchewan in the preceding year. Increases are subject to the maximum increase permitted under *The Income Tax Act* (Canada).

e) Survivors' allowances

Death benefits are available to a qualifying surviving spouse in the form of a survivor allowance. A qualifying surviving spouse is the spouse at the time of retirement. The retirement allowance paid to the spouse will be based upon the member's selection at retirement or at the time of conversion. Effective June 27, 2003, retired members who have had a change in marital status after retirement may apply to convert their retirement allowance to recognize their new spouse, provided certain criteria are met.

Members may select the basic retirement allowance that will pass 60% of the retirement allowance that they would have received to their spouse. Effective June 25, 1996, for death prior to age 65, the surviving spouse will receive 60% of the deceased member's lifetime retirement allowance, plus 60% of the bridge benefit (the amount due to Canada Pension Plan integration payable until the member would have turned age 65).

Alternatively, members may select the 75% (effective April 1, 2002) or the 100% option. The spouse will receive 75% or 100% of the lifetime retirement allowance, plus 75% or 100% of the bridge benefit, the amount due to Canada Pension Plan integration, until the member would have turned age 65.

On and after June 28, 2001, and in the event of pre-retirement death, the spouse will receive a retirement allowance based upon the member's credited service as of the date of death. The survivor's allowance would be based on the greater of the basic retirement allowance of 60% plus any children's payments, or 100% actuarial equivalent. The spouse would receive the applicable percentage of the members' lifetime pension plus the bridge benefit.

Additional survivor benefits for dependent children may apply.

If no one is eligible to receive a survivor's allowance from the Plan, then the total of the member's contributions, plus legislated interest, less any retirement allowances paid up to the member's time of death, will be paid to the member's estate.

f) Deferred allowances

An employee who is at least 30 years of age and has at least 10 years continuous pensionable service may elect to receive a deferred allowance upon ceasing employment.

Subject to re-employment limitations pursuant to *The Superannuation (Supplementary Provisions) Act*, the earliest that a deferred member with at least 10 years pensionable service and up to 20 years pensionable service may commence an unreduced retirement allowance, is at age 65. The earliest that a deferred member with greater than 20 years pensionable service may commence an unreduced retirement allowance, is at age 60.

g) Refunds and transfers

Upon ceasing employment and prior to becoming eligible to receive an unreduced retirement allowance, Plan members may elect to receive a refund of their contributions plus legislated interest as a lump-sum payment less statutory deductions; as a transfer to their registered retirement savings plan; or as a transfer pursuant to the terms of an existing reciprocal agreement with another registered pension plan. Once a refund or transfer has been processed, the member has no further claim against the Plan.

h) Other benefits

Under certain circumstances, members may purchase additional credited service in the Plan.

i) Income taxes

The Plan is a registered pension plan as defined in *The Income Tax Act* (Canada) and is not subject to income taxes. Retirement allowances paid from the Plan are subject to source deductions that are withheld by SaskPower and remitted to the Canada Revenue Agency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The following policies are considered to be significant:

a) Use of estimates

In preparing the Plan financial statements, management uses estimates and assumptions that primarily affect the reported values of assets and liabilities. Significant estimates are used primarily in the determination of accrued pension benefits and the fair value of investments and investment related receivables and liabilities. Actual results could differ from those estimates, which may impact the results reported in future periods.

b) Investments

Investments are recorded as of the trade date and are stated at fair value. Fair value is the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing partners who are under no compulsion to act. For purposes of establishing a value of the Plan's assets, equities are valued using closing market prices. Bonds are valued using mid-market prices and pooled funds are valued based on the closing market price of the underlying investments. Transaction costs are included in the statement of changes in net assets available for benefits in the period incurred.

c) Investment income

Investment income consists of interest on bonds and short-term securities (which is recognized as it accrues) and dividend income (which is recognized as of the ex-dividend date).

d) Foreign exchange

Foreign investment purchases, sales and income are recorded in Canadian dollars at exchange rates in effect at the transaction date. Foreign-denominated investments and accrued investment income are translated at year-end exchange rates. The unrealized gains and losses arising from this translation are included in the statement of changes in net assets available for benefits as part of the increase in market value of investments.

e) Change in accounting policy

Effective January 1, 2007, the Plan adopted the new CICA Section 1506, "Accounting Changes," in accordance with the transitional provisions of the section. The new standard allows for voluntary changes in accounting policy only if they result in the financial statements providing reliable and more relevant information. New disclosures are required in respect of changes in accounting policies, changes in accounting estimates and correction of errors. The adoption of Section 1506 had no material impact on these financial statements.

3. INVESTMENTS

Schedule of investments

The investment objectives of the Plan are to ensure the Plan has sufficient assets to optimize the risk/return relationship of the Plan and to generate sufficient cash flow to meet pension payments. Due to the long-term horizon of the Plan's liabilities, the Plan takes a long-term investment perspective. The strategy employed to achieve these objectives is to invest the Plan's assets into a diversified pool of investments, such as Canadian and foreign equities, money market securities and bonds. The Plan's target asset mix is 65% equity and 35% fixed income. The schedule below summarizes the Plan's investments as at December 31:

(in thousands)	**2007**	2006
Short-term securities		
Canada	**$ 5,910**	$ 5,045
	5,910	5,045
Bonds		
Government of Canada and federally-guaranteed	**126,531**	142,894
Provincial and provincially-guaranteed *(Note 6)*	**80,863**	73,852
Corporate	**74,363**	56,089
	281,757	272,835
Equities		
Canada	**216,778**	216,340
Global	**134,639**	146,538
Non-North American	**101,071**	112,965
U.S.	**84,685**	94,765
	537,173	570,608
	$ 824,840	$ 848,488

Short-term securities (in thousands)

The Plan invests in short-term securities that have an R1 (high quality) or equivalent rating. At December 31, 2007, the Plan held Canadian dollar denominated investments of $5,910 (2006 - $5,045) maturing within 52 to 122 days (2006 - 12 to 85 days) at yields of 3.8% to 4.6% (2006 – 4.3% to 5.1%).

Bonds (in thousands)

The Plan's bond portfolio is invested as follows:

(in thousands)		2007		2006	
	Years to maturity	Market value	Average yield (%)	Market value	Average yield (%)
Federal bonds	1-5	**$ 101,843**	**4.30**	$ 97,933	4.16
	6-10	**–**	**–**	15,723	4.42
	16-20	**–**	**–**	8,611	4.60
	20+	**24,688**	**5.38**	20,627	5.38
		126,531		142,894	
Provincial bonds	1-5	**12,813**	**5.70**	7,366	6.34
	6-10	**25,293**	**5.09**	21,278	5.22
	11-15	**12,030**	**6.23**	9,211	6.15
	16-20	**2,441**	**4.45**	5,188	6.23
	20+	**28,286**	**5.62**	30,809	5.75
		80,863		73,852	
Corporate bonds	1-5	**33,333**	**5.09**	25,218	4.86
	6-10	**21,302**	**4.88**	13,145	4.71
	11-15	**5,452**	**5.52**	7,019	5.16
	16-20	**1,110**	**8.29**	2,965	7.74
	20+	**13,166**	**5.59**	7,742	5.63
		74,363		56,089	
Total bonds		**$ 281,757**		$ 272,835	

Federal and federally guaranteed bonds have a credit rating of AAA. Provincial and provincially guaranteed bonds have a credit rating range of BBB to AA. Corporate bonds have a credit rating range of BBB to AAA. The Plan has established quality standards for corporate fixed income issues as follows:

DEBT RATING	MAXIMUM % OF FIXED INCOME PORTFOLIO
BBB	20%
A	40%
AA or higher	No limit

At December 31, 2007, the Plan's bond portfolio held $2,912 (1%) in BBB, $60,198 (21%) in A, and $218,647 (78%) in AA or higher. In 2006, the Plan held $3,551 (1%) in BBB, $47,719 (18%) in A, and $221,565 (81%) in AA or higher.

Equities (in thousands)

The Plan's equity investments are held as portfolio investments and are generally readily marketable. At December 31, 2007, the Plan held $537,173 in equities. Of this total, 40% or $216,778 of the Plan's equities were invested in Canada, with the remaining 60% or $320,395 invested outside of Canada. At December 31, 2006, the Plan held $570,608 in equities. Of this total, 38% or $216,340 of the Plan's equities were invested in Canada, with the remaining 62% or $354,268 invested outside of Canada.

Investments are generally limited to stocks that are publicly traded on a recognized stock exchange. The Plan's equities include common shares that have no fixed maturity date and are generally not directly exposed to interest rate risks. Dividends are generally declared on a quarterly basis.

The following is a breakdown of specific equities held in the Plan as at December 31, 2007, with a market value exceeding $5 million:

CORPORATE SHARES (in thousands)	SHARES/UNITS	MARKET VALUE
Toronto Dominion Bank	186	$ 12,902
Bank of Nova Scotia	214	10,769
Manulife Financial Corporation	265	10,758
Potash Corporation of Saskatchewan	73	10,428
Royal Bank of Canada	199	10,107
Suncor Energy	86	9,235
Nexen Inc.	244	7,825
SNC-Lavalin Group Inc.	152	7,331
Rogers Communications Inc.	146	6,583
Encana Corporation	76	5,142
Research in Motion Ltd.	45	5,074
Total		$ 96,154

Pooled funds (in thousands)

A pooled fund is a group of individual securities managed by an investment manager and is considered an equity investment in terms of the Plan's overall asset mix. The unit price of the pooled fund is determined by the overall performance of each of the stocks in the fund. In 2007, the Plan held $193,152 (2006 - $214,133) in pooled funds. The following is a breakdown by investment manager of pooled fund assets in Canadian dollars held in the portfolio:

(in thousands)	2007		2006	
	Investments	**% of plan investments**	Investments	% of plan investments
Barclays Global Investors	**$ 84,685**	**10.3**	$ 94,765	11.2
Greystone Managed Investments Inc. (1)	**101,071**	**12.3**	112,965	13.3
Jarislowsky Fraser (2)	**7,396**	**1.0**	6,403	1.0
Total pooled fund assets	**$ 193,152**	**23.6**	$ 214,133	25.5

(1) Greystone Managed Investments Inc. has delegated the management of these funds to Goldman Sachs and Hansberger Global Investors.

(2) The Jarislowsky Fraser Special Equity Pooled Fund is a fund managed by Jarislowsky Fraser Ltd. and used to purchase less liquid, smaller or special Canadian equity positions.

4. FINANCIAL RISK MANAGEMENT

a) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities. Interest rate risk is managed by investing in a portfolio of fixed term securities with varying durations. The value of the Plan's assets is affected by changes in nominal interest rates and equity markets. The value of liabilities, as measured in current dollars, is subject to fluctuations of long-term interest rates.

b) Market risk

The Plan invests in publicly traded equities and bonds available on domestic and foreign exchanges. These securities are affected by market changes and fluctuations. The Plan manages market risk by investing in different domestic and foreign markets and through the establishment and review of asset mix ranges and limits for various investments.

c) Credit risk

Credit risk arises from the potential for an investee or for a counterparty to default on its contractual obligation to the Plan. The Plan limits the credit risk by dealing with counterparties that are considered to be high quality. The credit ratings used to describe these securities are based on the Dominion Bond Rating Service.

d) Foreign currency risk

Foreign currency exposure arises from the Plan holding investments denominated in currencies other than the Canadian dollar. Fluctuations in the relative value of the Canadian dollar against these foreign currencies result in a positive or negative effect on the fair value of investments. In 2007, the Plan had investments denominated in foreign currencies. The exposure in Canadian dollars is as follows:

(in thousands)	2007		2006	
	Investments (CDN dollars)	**% of plan investments**	Investments (CDN dollars)	% of plan investments
Global equities (1)	**$ 134,639**	**16.3**	$ 146,538	17.3
Non-North American pooled fund (2)	**101,071**	**12.3**	112,965	13.3
U.S. equities (3)	**84,685**	**10.3**	94,765	11.2
Total foreign currency exposure	**$ 320,395**	**38.9**	$ 354,268	41.8

(1) Templeton Management Limited was retained to invest Plan assets in international equities on a segregated basis.

(2) These assets are pooled equity funds and are part of the Greystone Managed Investments Inc. mandate. The management of these funds has been delegated to Goldman Sachs and Hansberger Global Investors.

(3) These assets are pooled U.S. equity funds which Barclays Global Investors manages.

The foreign currency exposure in the Plan, in Canadian dollars, can be further broken down as follows:

(in thousands)	2007	2006
Currency	**Net exposure**	Net exposure
United States dollar	**$ 122,433**	$ 138,654
Euro	**65,295**	72,744
British pound sterling	**46,987**	51,748
Japanese yen	**20,939**	26,103
Hong Kong dollar	**15,759**	14,288
Swiss franc	**12,568**	14,137
Norwegian krone	**6,379**	6,182
Korean won	**5,567**	6,906
Australian dollar	**5,194**	5,476
Other	**19,274**	18,030
Total foreign currency exposure	**$ 320,395**	$ 354,268

5. OBLIGATIONS FOR PENSION BENEFITS

The present value of accrued pension benefits is determined using the projected benefit method prorated on service and reflects management's best estimates of future investment performance, wage and salary escalation, age at retirement and future pension indexing. On an annual basis, an actuarial valuation for accounting purposes is prepared as at September 30 by Aon Consulting Inc. and then extrapolated to December 31.

The actuarial present value of accrued pension benefits is deducted from the net assets available for benefit to calculate the actuarial (deficit)/surplus for accounting purposes.

The assumptions used in determining the actuarial value of accrued pension benefits may change from year to year depending on current and long-term market conditions. The following is a summary of the actuarial assumptions:

	2007	2006
Discount rate	5.75%	5.25%
Expected rate of return on plan assets	6.75%	6.50%
Long-term inflation rate	2.50%	2.50%
Long-term rate of compensation increases	3.50%	3.50%
Assumption for benefit increases (% of CPI)	70.00%	70.00%
Remaining service life (years)	3.22	3.89

6. RELATED PARTY TRANSACTIONS (IN THOUSANDS)

a) Administration

As indicated in *Note 7*, certain administration costs are paid by the Corporation.

b) Investments

	2007		2006	
	Investments	**Investment income**	Investments	Investment income
Province of Saskatchewan bonds	**$ 2,195**	**$ 153**	$ 4,373	$ 216

7. ADMINISTRATION COSTS

The Superannuation (Supplementary Provisions) Act permits the Board to engage technical and professional advisers, specialists and consultants for the purposes of managing, investing and disposing of Plan assets, with the related costs to be paid by the Plan.

a) Administration (in thousands)

The costs to administer the Plan are borne by the Corporation and are therefore not reflected in the Plan financial statements. The costs typically paid for by the Corporation include audit and actuarial fees as well as general administration costs. However, investment management, custodial and consulting fees are paid by the Plan. In 2007, the Corporation paid $214 (2006 - $219) for costs relating to the Plan. These figures do not include salaries paid to employees of SaskPower who serve as staff advisors or administrators of the Plan.

b) Investment management services

Greystone Managed Investments Inc., Jarislowsky Fraser Ltd., Templeton Management Limited, and Barclays Global Investors were contracted to invest the monies of the Plan during the year.

The Board has developed, with the assistance of its consultant, Hewitt Associates, specific investment policies and guidelines to which the investment managers must adhere when making investment decisions.

c) Custodian services

The custodian for the Plan assets is responsible for the safekeeping of all assets and property of the Plan; processing and handling investment transactions; reviewing and documenting investment compliance by managers; and providing SaskPower with detailed reports identifying the specific assets held in the Plan. Custodian services were provided by RBC Dexia Global Services.

d) Board Member training

The Board has established a training budget, allowing up to $42,000 (on average, $6,000 per Board Member) to be used for training on investment performance, risk management, asset allocation and governance. This training helps Board Members remain up to date on various issues that relate to prudent Plan management.

In 2007, Board Member training costs totalled $14,834 (2006 – $19,333).

8. INVESTMENT PERFORMANCE (IN THOUSANDS)

The investment manager makes the day-to-day decisions on buying or selling specific investments in order to achieve the long-term performance objectives set by the Board. The Board reviews the investment performance of the Plan in terms of the performance of the benchmark portfolio over a rolling four-year period. The Plan's benchmark has been determined using the actual returns of market indexes such as the DEX Universe Bond index; TSX Composite index; Morgan Stanley Capital International, Europe, Australia, Far East index; Morgan Stanley World index; and the S&P 500 index. The primary long-term investment objective for the entire portfolio is to out-perform a benchmark portfolio.

The following is a summary of the Plan's investment performance as provided by Hewitt Associates:

Rates of return (%)	**2007**		2006	
	Investment return	**Investment benchmark return**	Investment return	Investment benchmark return
Fixed income	**3.4**	**3.7**	4.7	4.1
Canadian equity	**10.5**	**9.8**	18.7	17.3
United States equity	**(10.5)**	**(10.5)**	15.4	15.4
Non-North American equity	**(2.1)**	**(5.7)**	27.2	25.9
Global equity	**(0.9)**	**(8.2)**	29.7	19.8
Plan's actual rate of return	**2.0**	**0.4**	16.1	13.8
Four year rolling average return	**10.3**	**8.4**	13.3	11.6

In 2007, the Plan had a decrease to the market value of its investments of $20,984. Unrealized market value losses of $23,549 and foreign exchange losses of $42,728 were partially offset by a realized market value gain of $45,293. The foreign exchange loss was due to the rise of the Canadian dollar, from U.S. $0.8581 as at December 31, 2006, to U.S. $1.012 as at December 31, 2007.

In 2006, the Plan achieved an increase to the market value of its investments of $92,903. Unrealized market value gains of $61,058 and realized market value gains of $34,750 were partially offset by a foreign exchange loss of $2,905.

FIVE-YEAR REVIEW
NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED PENSION BENEFITS AND (DEFICIT)/SURPLUS

(in thousands)

As at December 31	**2007**	2006	2005	2004	2003
Assets					
Investments, at market					
Short-term securities	**$ 5,910**	$ 5,045	$ 5,892	$ 86,917	$ 108,690
Bonds	**281,757**	272,835	262,743	249,242	230,403
Equities	**537,173**	570,608	502,664	380,052	344,467
	824,840	848,488	771,299	716,211	683,560
Receivables					
Employees' contributions	**43**	44	43	38	40
Sponsors' contributions	**55**	49	49	43	48
Accrued investment income	**2,191**	2,533	2,180	2,422	2,200
Other receivables	**243**	5,284	19	425	29
	2,532	7,910	2,291	2,928	2,317
Cash	**–**	770	499	838	6,687
Total assets	**827,372**	857,168	774,089	719,977	692,564
Liabilities					
Accounts payable and other liabilities	**1,466**	5,581	997	1,124	9,002
Net assets available for benefits	**$ 825,906**	$ 851,587	$773,092	$ 718,853	$ 683,562
Accrued pension benefits and surplus					
Accrued pension benefits	**$ 830,041**	$ 838,763	$769,913	$ 718,991	$ 704,437
(Deficit)/surplus	**(4,135)**	12,824	3,179	(138)	(20,875)
Accrued pension benefits and surplus/(deficit)	**$ 825,906**	$ 851,587	$773,092	$ 718,853	$ 683,562

FIVE-YEAR REVIEW
CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

(in thousands)

As at December 31	2007	2006	2005	2004	2003
Increase in net assets					
Investment income					
Interest					
Short-term securities	**$ 224**	$ 254	$ 1,688	$ 1,340	$ 321
Bonds	**12,484**	12,095	11,462	11,334	15,618
Miscellaneous income	**–**	–	–	13	16
	12,708	12,349	13,150	12,687	15,955
Dividends	**25,357**	15,308	10,019	8,125	6,708
	38,065	27,657	23,169	20,812	22,663
Increase in market values of investments	**–**	92,903	66,733	47,349	58,916
Contributions					
Employees'	**1,663**	1,711	1,652	1,697	1,781
Sponsors'	**465**	453	5,198	7,536	498
	2,128	2,164	6,850	9,233	2,279
Total increase in net assets	**40,193**	122,724	96,752	77,394	83,858
Decrease in net assets					
Decrease in market value of investments	**20,984**	–	–	–	–
Superannuation allowances	**42,767**	41,708	40,486	39,543	39,451
Transfers and refunds on terminations	**–**	552	167	788	–
Administrative expenses	**2,123**	1,969	1,860	1,772	1,642
Total decrease in net assets	**65,874**	44,229	42,513	42,103	41,093
Changes in net assets	**(25,681)**	78,495	54,239	35,291	42,765
Net assets available for benefits, beginning of year	**851,587**	773,092	718,853	683,562	640,797
Net assets available for benefits, end of year	**$ 825,906**	$ 851,587	$ 773,092	$ 718,853	$ 683,562

GLOSSARY

Active Plan member
Plan member making (or deemed to be making) regular contributions to the Plan, including those on an approved leave of absence (with or without pay), those receiving benefits from a short-term illness and injury plan or approved long-term disability plan, and those who are no longer required to contribute.

Actuarial assumptions
Estimates of future events that will affect a plan's costs for future employee's benefits. Examples of these estimates are: rates of return on Plan assets, termination rates, retirement age, mortality, dependency status, future salary and benefit levels.

Actuarial valuation
Prepared by an actuary to determine the financial status of the Plan. It considers the value of Plan assets and determines whether the contribution rates are adequate.

Actuary
Professional trained in technical aspects of pensions.

Asset allocation
The dividing of assets among different categories such as equities, bonds and international investments.

Bridge benefits
A temporary pension to supplement the regular lifetime pension. Payable from the early retirement age; ending upon the age when OAS full CPP benefits start.

Bonds
Long-term debt instrument from a company that provides regular interest payments to the bond-holder and repays the face value at maturity.

Consumer price index (CPI)
The consumer price index measures monthly and yearly changes in the cost of 300 goods and services commonly bought by Canadians. If the combined cost of this "basket" of items goes up, then there has been inflation. The greater the increase, the higher the inflation rate has become. The pension is indexed to the cost of living, and the consumer price index is one of the factors used to calculate annual cost of living increases for pension benefits.

Counterparty
An individual or organization with whom one transacts business.

Custodian
Holds assets for safekeeping for the Plan, may collect income and dividends and do simple reporting on assets. The custodian does not have fiduciary responsibility.

Deferred pension
A pension payable at a later date, either because the Plan member terminates employment before the earliest date at which the pension may begin, or because the Plan member chooses to have the pension commence at a later date. For example, a Plan member may choose to defer a pension in order to later receive an unreduced pension.

Defined benefit plan
Pension plan that provides a defined benefit based on a formula including factors such as years of service and average earnings.

Defined contribution plan
Pension plan that specifies the amount to be contributed to the plan. Contributions and time period determine the benefit.

Equities
Common stock or ownership in a company.

Fair value
Dollar amount that two parties consider appropriate for a transaction.

Funding
The systematic depositing of current service contributions and special payments into the pension fund.

Futures
Contractual agreements to either buy or sell an asset at a specified price and date in the future.

Governance
The decision-making structures and supporting policies and procedures that enable an organization to achieve its pension objectives and discharge its pension obligations to its legal owners and others.

Index
Method of measuring the investment manager's performance through benchmarks of similar assets.

Investment advisor
Provides analytical review of the total fund, asset classes and the investment managers' performance, relative to peers and Plan benchmarks.

Investment manager
Devises and implements an investment strategy within mandates.

Median
The middle of a distribution: half the scores are above the median and half are below the median.

Money market
A market for short term debt instruments.

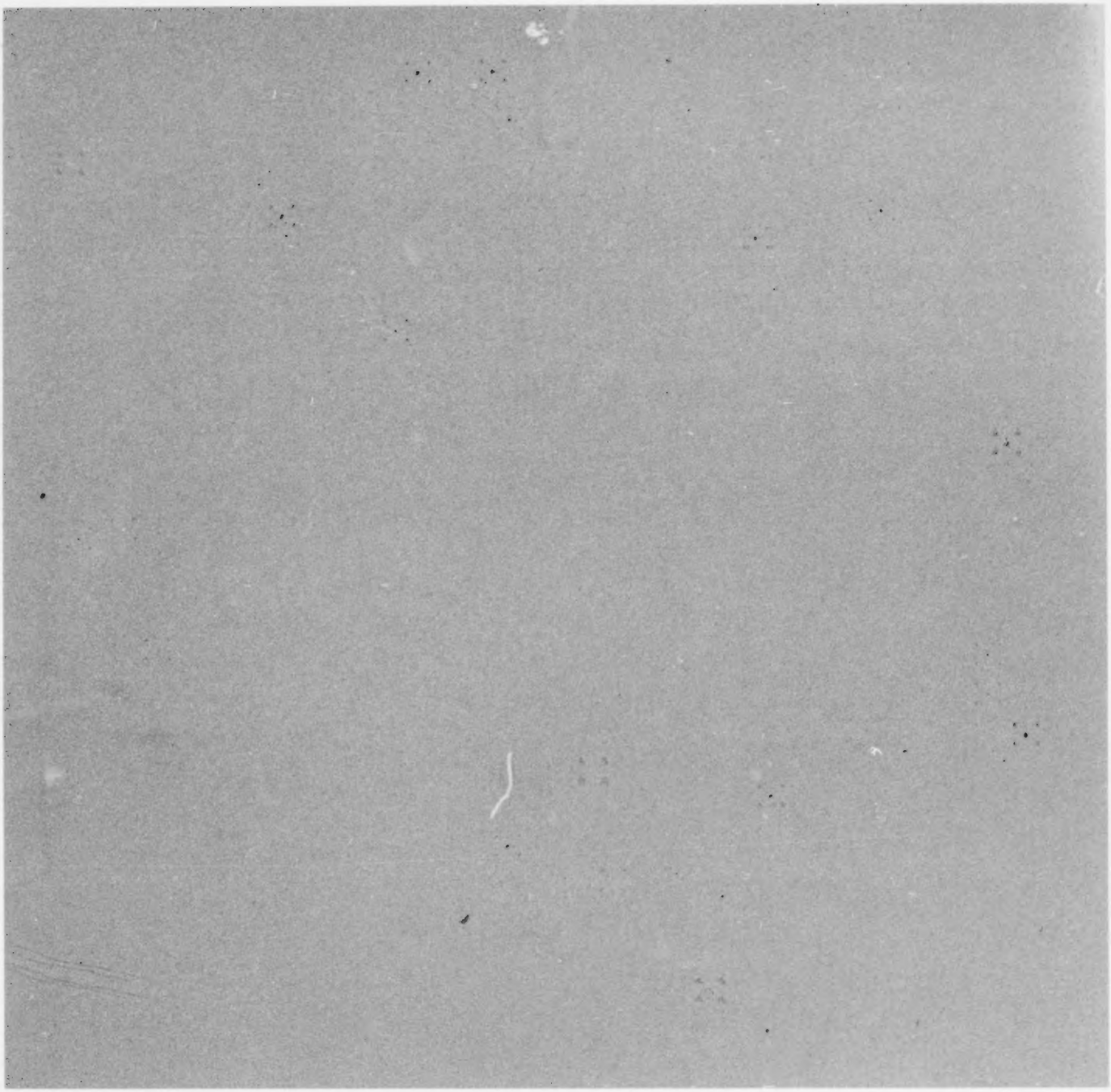
Notional value
Amount to which a rate or price is applied in order to calculate the exchange of cash flows.

Plan sponsor
Employer sponsoring the pension plan.

Pooled funds
Group of individual securities managed by an investment manager.

Securities
Stocks, bonds and notes that give evidence to and assure the fulfillment of a commitment.

Standard & Poor's (S&P) 500
Comparison portfolio made up of common stocks that are used to measure performance of other stock funds.



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